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PROVINCE OF BRITISH COLUMBIA

Twenty-First Annual Report

of the Business Done in Pursuance of the

Pension (College) Act

YEAR ENDED AUGUST 31

1989

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The Honourable DAVID C. LAM,
Lieutenant-Governor of the Province of British Columbia

MAY IT PLEASE YOUR HONOUR:

The undersigned respectfully submits the Report of the business done in pursuance of the *Pension (College) Act* during the fiscal year ended August 31, 1989.

CAROL GRAN
Minister of Government Management Services
and Minister Responsible for
Women's Programs

Office of the Minister of
Government Management Services and
Minister Responsible for
Women's Programs
Victoria, British Columbia
March 12, 1990

The Honourable CAROL GRAN
Minister of Government Management Services
and Minister Responsible for
Women's Programs
Victoria, British Columbia

MADAM:

I have the honour to lay before you the Report of the business done in pursuance of the *Pension (College) Act* during the fiscal year ended August 31, 1989.

Respectfully submitted,

JOHN W. COOK
Superannuation Commissioner

March 12, 1990

PENSION (COLLEGE) ACT

ANNUAL REPORT

Report of the business done in pursuance of the *Pension (College) Act* for the fiscal year ended August 31, 1989

Section 3 — All monies received and paid out under the provisions of this Act are shown in the statement of changes in fund balance and all assets and liabilities are shown in the statement of financial position. These financial statements are attached to this report.

Section 4 — Inflation adjustment supplements totalling $650,323 ($530,510 in 1987/88) were charged to the Contributory Pensions Account. The annual increases are tied to the consumer price index and are payable to the extent that the capitalized value is available in the Inflation Adjustment Account. For this purpose, member and employer contributions each at the rate of 1.00% of salary and interest earnings attributable to funds held for the payment of superannuation allowances in excess of the rate assumed by the actuary are allocated to the Inflation Adjustment Account.

Section 5 — Effective September 1, 1988, employees no longer had the option to exempt from contributing to the Plan. Effective April 29, 1989, enrollment in the Plan was at the employee's option.

As at August 31, 1989 there were 3,253 active members (2,028 male, 1,225 female). In addition, there are 604 members with deferred vested pension rights and 98 inactive members.

Section 6 — Members' contributions amounted to $7,503,352 made up as follows:

	$
Basic Contributions	6,583,296
Inflation Adjustment Contributions	844,877
Arrears	75,179

Section 8 — Employers' contributions amounted to $7,546,950.

Section 12 (1) — During the year 63 new allowances were granted. There were 554 allowances in force as at August 31, 1989. Comparative statistics of allowances granted and in force are shown on Schedule 3 attached to this report.

Section 12 (3) — There were 5 transfers to and 11 transfers from approved employers.

Transfers totalling $234,198 were sent to one reciprocal employer upon grant of allowance as follows:

		$
Government of Canada Public Service Pension Account	5 employees for	234,198

Transfers totalling $204,723 were received from reciprocal employers as follows:

		$
Government of Canada Public Service Pension Account	2 employees for	145,907
Municipal Superannuation Fund	8 employees for	5,088
Public Service Superannuation Fund	1 employee for	53,728

Section 18 — Refunds amounting to $756,673 were granted to 95 members upon resignation, death or dismissal.

Section 23 — An actuarial valuation of the Fund was carried out as at August 31, 1988. The valuation indicates that the unfunded liability of the Plan was $29,814,000 as at August 31, 1988. The actuary has recommended that the statutory contribution rates under the Plan be increased to ensure stable contribution rates in the future.

Section 24 — The Superannuation Commission, Ministry of Government Management Services provides administration services to the College Pension Fund. Administration and actuarial expenses paid from the Fund amounted to $136,224. The Provincial Treasury provides investment management services to the Fund, including safekeeping and registration of securities. Investment management fees paid to the Minister of Finance and Corporate Relations amounted to $112,969.

Section 27 — The par value of long-term investments held by the trustee as at August 31, 1989 amounted to $168,168,000 ($136,918,000 — 1988), as set out in the attached Schedule 1. Units in Province of British Columbia Pooled Investment Portfolios held at that date amounted to $75,042,348 ($75,473,124 in 1988.)

An Investment Advisory Committee, consisting of the Superannuation Commissioner and the Director, Finance, Superannuation Commission, together with representatives from the Ministry of Finance and Corporate Relations and the College Institute Educators' Association meets on a quarterly basis during the year and sets guidelines and policy under which investments may be purchased and sold. The investment strategy followed for most of 1988/89 recommended a portfolio of 70% long-term and 30% short-term.

JOHN W. COOK, F.C.I.A.
Superannuation Commissioner

Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

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Victoria
British Columbia
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AUDITOR'S REPORT

To the Superannuation Commissioner, Trustee, and

To the Minister of Government Management Services and Minister Responsible for Women's Programs

Province of British Columbia:

I have examined the statement of financial position of the College Pension Fund as at August 31, 1989 and the statement of changes in fund balance for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at August 31, 1989 and the changes in the fund balance for the year then ended in accordance with the accounting principles described in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

GEORGE L. MORFITT, F.C.A.
Auditor General

Victoria, British Columbia
January 12, 1990

COLLEGE PENSION FUND

STATEMENT OF FINANCIAL POSITION
AS AT AUGUST 31, 1989

	1989	1988
	($ Thousands)	
ASSETS		
Cash	229	268
Contributions receivable	1,493	1,299
Accrued interest	4,415	3,576
Investments (Note 3)	244,118	212,398
Deferred losses less gains on sale of investments (Note 4)	312	303
	250,567	217,844
LIABILITIES		
Accounts payable and accrued liabilities	103	68
FUND BALANCE		
Basic Account	225,171	196,055
Inflation Adjustment Account	25,293	21,721
	250,464	217,776
	250,567	217,844

The six accompanying notes are an integral part of these financial statements.

Approved by:

JOHN W. COOK, F.C.I.A.
Superannuation Commissioner, Trustee

VICTOR BARWIN, C.A.
Director, Finance, Superannuation Commission

COLLEGE PENSION FUND

STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED AUGUST 31, 1989

Fund Balance Increased by	Basic Account	Inflation Adjustment Account	Totals 1989	Totals 1988
		($ Thousands)		
Members' contributions				
Current	6,583	845	7,428	6,947
Voluntary	—	—	—	1
Arrears and purchase of service	72	3	75	41
	6,655	848	7,503	6,989
Employers' contributions				
Current	6,583	845	7,428	6,947
Arrears	113	6	119	41
	6,696	851	7,547	6,988
Transfers from other funds	182	23	205	60
Income from investments	20,723	2,224	22,947	18,288
Total Increase	34,256	3,946	38,202	32,325
Fund Balance Decreased by				
Superannuation allowance payments				
Contributory	3,569	—	3,569	3,017
Inflation adjustment supplements	650	—	650	531
	4,219	—	4,219	3,548
Refunds	654	103	757	777
Transfers to other funds	212	22	234	67
Medical Plan premiums	55	—	55	44
Administration and actuarial fees	136	—	136	92
Investment management fees	102	11	113	102
Total Decrease	5,378	136	5,514	4,630
Net Increase Before Transfers	28,878	3,810	32,688	27,695
Account Transfers (Note 5)	238	(238)	—	—
Net Increase in Fund Balance	29,116	3,572	32,688	27,695
Fund Balance at Beginning of Year	196,055	21,721	217,776	190,081
Fund Balance at End of Year	225,171	25,293	250,464	217,776

COLLEGE PENSION FUND

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 1989

1. Description of the College Pension Plan

The following brief description of the plan is provided for general information only. For more complete information about the plan, reference should be made to the *Pension (College) Act*.

(a) General

The Plan is a defined benefit pension plan open to full-time faculty members and senior administrative employees of a British Columbia college or college council and to other college faculty members in British Columbia whose application has been approved by the employer.

(b) Contributions

Members and employers each contribute to the Basic Account 5% of pensionable salary up to the Canada Pension Plan's Year's Maximum Pensionable Earnings and 6½% on pensionable salary above that amount. They also each contribute ½% of pensionable salary to the Inflation Adjustment Account to provide for the payment of inflation adjustment supplements.

(c) Retirement Benefits

Members are eligible for an unreduced pension benefit if they retire at age 55 with a minimum of 35 years contributory service, at age 60 with a minimum of 10 years contributory service or at age 65. A reduced pension is available at age 55 with a minimum of 10 years contributory service and at age 60 with less than 10 years contributory service.

The Plan provides for a pension of 2% of the highest 5-year average annual salary for each year of pensionable service, to a maximum of 35 years. At age 65, or date of death or disability, if earlier, there is a reduction in the formula as a result of integration with the Canada Pension Plan.

Increases in the inflation adjustment supplements are provided each January 1st and are related to the annual increase in the Consumer Price Index (CPI) as at the previous September 30th. The increase is pro-rated if the capitalized value of the increase exceeds the funds available in the Inflation Adjustment Account. As there were sufficient funds available at January 1, 1989, a full CPI increase of 4.1% (1988 — 4.5%) to the basic lifetime portion of the contributory superannuation allowances in force was provided. Sufficient funds were also available to provide a full CPI increase of 5.2% effective January 1, 1990.

(d) Termination and Portability Benefits

A terminating member may choose between leaving accumulated contributions on deposit or obtaining a refund. The refund includes interest credited. Members who leave contributions in the Fund are entitled to deferred pension benefits. Those members not withdrawing contributions may carry certain pension rights to other pension plans that have portability arrangements with the College Pension Plan. New members may also, under portability arrangements, transfer contributions and service from other plans to increase pension benefits under the College Pension Plan.

(e) Other Benefits

Disability and survivor benefits are available under the Plan.

2. Significant Accounting Policies

(a) General Information

These financial statements have been prepared on the accrual basis of accounting. They show only the financial position of the Fund as at August 31, 1989 and the changes in Fund balance for the year then ended and do not purport to show the adequacy of the Fund to meet

COLLEGE PENSION FUND

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 1989 – *Continued*

2. Significant Accounting Policies – *Continued*

the obligations of the College Pension Plan. The results of the latest actuarial valuation of the Plan are described in Note 6 below.

(b) Investments

(i) Units in Pooled Investment Portfolios are carried at the cost of acquisition adjusted by income attributed to the units. Income attributed to the units represents the Fund's share of investment income earned by the Portfolios and is realizable by the Fund upon the sale of the units.

(ii) Long-term investments are those purchased with a term in excess of one year. They are carried at cost of acquisition adjusted by the amortization of discounts and premiums on a constant yield basis over the remaining terms of the investments.

(c) Deferred Losses Less Gains on Sale of Investments

Gains and losses on disposal of long-term investments are deferred and amortized on a straight-line basis over the lesser of the remaining terms of the investments or twenty years. The amortization is included in income from investments.

3. Investments

The value of investments held at the end of the year was as follows:

	1989		1988	
	Book Value	Market Value	Book Value	Market Value
	($ Thousands)			
Units in Province of British Columbia Pooled Investment Portfolios	75,042	74,959	75,473	75,436
Long-term investments	169,076	167,160	136,925	130,141
	244,118	242,119	212,398	205,577

4. Deferred Losses Less Gains On Sale of Investments

	1989	1988
	($ Thousands)	
Balance at beginning of year	303	208
Net losses on sale of investments	68	136
	371	344
Amortization for the year	59	41
Balance at end of year	312	303

5. Account Transfers

	1989		1988	
	Basic Account	Inflation Adjustment Account	Basic Account	Inflation Adjustment Account
	($ Thousands)			
Capitalized value of inflation adjustment supplements granted	1,340	(1,340)	1,223	(1,223)
Indexing of highest average salary for deferred pensions granted	120	(120)	160	(160)
Excess interest	(1,209)	1,209	(651)	651
Other	(13)	13	(15)	15
	238	(238)	717	(717)

The excess interest is the income that is earned on assets held in the Basic Account in respect of pensions being paid, and that is in excess of income calculated using the interest rate assumed by the Actuary.

COLLEGE PENSION FUND

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 1989 — *Continued*

6. Actuarial Valuation

According to the *Pension (College) Act*, an actuarial valuation of the assets and liabilities of the Fund is required to be made by an Actuary upon request by the Superannuation Commissioner. The most recent valuation carried out as at August 31, 1988 indicated an unfunded liability in respect of basic pension benefits of $29,814,000 as of August 31, 1988, compared to $60,891,000 as of August 31, 1985, the date of the previous valuation. The unfunded liability decreased as result of net experience gains on actuarial assumptions, the 1% increase in the combined statutory employer and member Basic Account contribution rate and net changes in actuarial assumptions. These decreases were partly offset by interest on the unfunded liability.

The Actuary recommends that the statutory Basic Account contribution rates be increased from their current combined maximum rate of 13% of total salaries to a combined maximum rate of at least 15.14% of total salaries. The contribution level recommended by the Actuary was determined under a "level contribution" funding method. This method expresses employer contributions as a constant percentage of future payrolls that, together with future member contributions and investment earnings, will finance the benefits for a typical new entrant to the plan and, in addition, will maintain the unfunded liability as a constant percentage of future payrolls.

COLLEGE PENSION FUND

SCHEDULE 1

LONG-TERM INVESTMENTS HELD AS AT AUGUST 31, 1989

	Par Value $	Book Value $	Market Value $
Government of Canada	30,367,000	32,003,825	32,247,453
Province of British Columbia	3,000,000	2,968,606	2,954,187
Province of British Columbia guaranty			
B.C. Hydro and Power Authority	28,689,000	28,479,233	28,793,498
B.C. Railway Company	6,487,000	6,468,554	6,318,268
B.C. School Districts Capital Financing Authority	290,000	289,528	273,343
Peachland Irrigation Improvement District	50,000	50,000	43,068
Province of Alberta guaranty			
Alberta Government Telephone	500,000	497,546	482,590
Province of Manitoba	16,750,000	16,625,368	16,386,406
Province of Ontario guaranty			
Ontario Hydro	76,335,000	76,029,597	74,009,190
Province of Quebec	2,000,000	1,986,319	2,007,234
Province of Saskatchewan	3,700,000	3,677,382	3,645,200
	168,168,000	169,075,958	167,160,437
1988 Comparisons	136,918,000	136,924,972	130,141,478

COLLEGE PENSION FUND

SCHEDULE 2

INVESTMENT INTEREST AND TRANSACTIONS

Comparative Statistics, September 1, 1979 — August 31, 1989

Year Ended August 31	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Net earned rate of the fund[1]	% 10.213	% 12.191	% 13.536	% 11.277	% 10.341	% 10.772	% 9.894	% 9.121	% 9.338	% 10.368
Average rate of return of long-term investments purchased in year	12.125	—	16.994	12.694	11.410	—	9.168	9.016	9.872	10.256
Income from investments[1]	$ 3,800,316	$ 5,865,290	$ 8,679,157	$ 9,597,167	$ 10,846,059	$ 13,477,995	$ 14,631,163	$ 15,269,047	$ 18,287,990	$ 22,947,186
Long-term investment transactions										
Purchases (Par Value)	9,306,000	—	750,000	4,960,548	1,300,000	—	20,000,000	93,100,000	44,200,000	46,800,000
Maturities and Sales (Par Value)	—	—	1,030,000	—	7,260,548	51,000	—	28,650,000	29,600,000	15,550,000
Net Increase (Decrease)	9,306,000	—	(280,000)	4,960,548	(5,960,548)	(51,000)	20,000,000	64,450,000	14,600,000	31,250,000
Short-term Increase (Decrease)	414,648	12,946,023	20,553,977	10,709,003	26,788,797	20,489,227	4,641,441	39,040,012	13,184,668	(430,777)
Fund balance at end of year	44,601,411	59,646,451	78,033,312	99,153,249	120,269,128	142,562,848	165,599,592	190,081,388	217,776,211	250,464,301

[1] Restated for 1981 and subsequent years to include Inflation Adjustment Account, which commenced October 1, 1980.

COLLEGE PENSION FUND

SCHEDULE 3

Comparative Statistics — September 1, 1979 to August 31, 1989

Fiscal Year	Number of Contributors[3]	Contributions			Member Refunds		Superannuation Allowances			
		Employer	Member		Number	Amount	Granted During Year	Deaths & Expirations	In Force at End of Year	Amount Paid
			Regular	Voluntary						
		$	$	$		$				$
1980	2,832	3,489,501	3,489,501	6,457	111	262,612	34	—	75	462,798 75,640[1]
1981	3,065	4,982,197	4,982,197	8,846	174	567,479	34	—	109	653,679 117,618[1]
1982	2,735	5,875,032	5,874,313	3,515	167	658,071	45	1	153	949,564 57,948[2]
1983	3,197	6,449,440	6,453,962	3,140	103	341,346	39	—	192	1,082,801 154,718[2]
1984	3,152	6,453,563	6,453,563	2,640	163	923,789	65	—	257	1,343,982 226,478[2]
1985	3,079	6,257,966	6,254,221	7,423	189	1,436,662	59	—	316	1,686,831 284,627[2]
1986	3,127	6,158,294	6,158,294	4,316	133	1,149,772	66	2	380	2,071,721 353,544[2]
1987	3,256	6,410,797	6,410,797	3,360	91	745,739	61	2	439	2,546,464 433,782[2]
1988	3,456	6,987,317	6,987,317	900	89	776,210	61	5	495	3,017,351 530,510[2]
1989	3,955	7,546,950	7,503,352	—	95	756,673	63	4	554	3,568,438 650,323[2]

[1] Cost of living supplementary allowances.
[2] Inflation Adjustment supplementary allowances, commencing January 1, 1982.
[3] Includes active, inactive, voluntary and fully vested contributors.

COLLEGE PENSION FUND

SCHEDULE 4

Normal Allowances Granted September 1, 1988 to August 31, 1989

SUBDIVIDED BY YEARS OF SERVICE AND VALUE OF ALLOWANCE

Years of Service	Number of Allowances Granted	Average Salary During Last Five Years	Average Annual Allowance on Single Life Plan	Average Value of Allowance	Average Employee Share	Average Employer Share
		$	$	$	$	$
Under 10 years	14	39,708	3,430	40,576	15,217	25,359
10–14	20	43,152	7,525	90,545	35,198	55,347
15–19	12	47,568	13,547	143,927	60,538	83,389
25–29	1	44,712	14,565	144,306	66,530	77,776
AVERAGE OF NORMAL ALLOWANCES GRANTED DURING YEAR:						
	61 (Age)	43,284	7,992	90,434	36,382	54,052
TOTAL VALUE OF NORMAL ALLOWANCES GRANTED DURING YEAR:						
	47	2,034,348	375,640	4,250,400	1,709,969	2,540,431

SUBDIVIDED BY YEARS OF SERVICE AND AGE AT RETIREMENT

Years of Service	Age at Retirement											Total	Per Cent
	55	56	57	58	59	60	61	62	63	64	65		
Under 10 years	—	2	—	1	—	3	3	1	3	1	—	14	30
10–14	2	1	1	2	3	6	—	1	1	1	3	21	45
15–19	—	—	1	1	—	1	2	1	—	2	3	11	23
25–29	—	—	—	—	—	—	—	—	1	—	—	1	2
Total	2	3	2	4	3	10	5	3	5	4	6	47	
Per cent	4	6	4	8	6	22	11	6	11	8	14		100

Allowances Other Than Normal Granted September 1, 1988 to August 31, 1989

Number of Allowances Granted	Death	Disability	Deferred
16	4	2	10

COLLEGE PENSION FUND

SCHEDULE 5

Approved and Reciprocal Employers as at August 31, 1989

APPROVED EMPLOYERS	EFFECTIVE DATE

Section 12 (6) provides for the granting of a deferred allowance to a member who within three years of making his last contribution to the Fund enters the employment of one or more of the following employers, remains in employment long enough to qualify for a monthly pension benefit and has at least 10 years combined contributory service under this plan and the pension plan of the approved employer —

Government of Canada	July 1, 1973
Any employer to whom the *Pension (Public Service) Act* applies	July 1, 1973
Any employer to whom the *Pension (Teachers) Act* applies	July 1, 1973
University of British Columbia	July 1, 1973
University of Victoria	July 1, 1973
Simon Fraser University	July 1, 1973
Ontario Teachers' Superannuation Plan	January 26, 1982
Plumbing and Pipefitting Workers Local 170 Pension Plan	April 20, 1982

AGREEMENTS NEGOTIATED WITH OTHER EMPLOYERS

Section 12 (3) provides that the Superannuation Commissioner may enter into an agreement for the transfer of funds in respect of a member who transfers to or from the service of the following employers —

Government of Canada	June 22, 1973
Ontario Teachers' Superannuation Plan	September 22, 1983
Coquitlam School District #43	April 25, 1988
Canadian Broadcasting Corporation	April 25, 1988
College of Applied Arts and Technology	August 21, 1989

RECIPROCAL EMPLOYERS

Section 13 provides for the method of calculating the monthly pension benefit of a member who within three years of making his last contribution to the Fund transfers to or from the service of the following British Columbia reciprocal employers and commences contributing to the pension plan —

An employer under the *Pension (Public Service) Act*	July 1, 1973
An employer under the *Pension (Teachers) Act*	July 1, 1973
An employer under the *Pension (Municipal) Act*	July 1, 1973
Workers' Compensation Board	June 3, 1974

COLLEGE PENSION FUND

SCHEDULE 6

Approved Group Disability Salary Continuance Plans as at August 31, 1989

Section 1 of the *Pension (College) Act* provides for the approval of a group disability salary continuance plan by the Provincial Secretary. Section 11 (2) provides that any period during which a member receives benefits from an approved plan, is treated as a period of pensionable service for the purposes of the *Pension (College) Act* in respect of the following employers —

APPROVED EMPLOYERS	EFFECTIVE DATE
Camosun College	March 27, 1975
Capilano College	June 4, 1979
Cariboo College	April 2, 1984
Douglas College	July 30, 1979
East Kootenay Community College	July 9, 1980
Fraser Valley College	February 17, 1982
Justice Institute of B.C.	August 3, 1979
Kwantlen College	March 24, 1983
Malaspina College	August 3, 1982
College of New Caledonia	April 30, 1979
Northern Lights College	June 8, 1979
North Island College	August 6, 1981
Northwest Community College	October 29, 1979
Okanagan College	February 4, 1977
Open Learning Institute	December 18, 1979
Pacific Marine Training Institute	July 31, 1985
B.C. Institute of Technology	April 9, 1979
Selkirk College	April 9, 1984
Vancouver Community College	June 6, 1979
Emily Carr College of Art & Design	November 6, 1986
Lester B. Pearson College of the Pacific	May 14, 1987

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